

Message Text

LIMITED OFFICIAL USE

PAGE 01 TUNIS 07202 291228Z

43

ACTION FBO-01

INFO OCT-01 AF-05 ISO-00 L-03 ABF-01 AID-20 TRSE-00 FS-01

IGA-02 /034 W

----- 118280

R 291140Z DEC 73

FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 4065

LIMITED OFFICIAL USE TUNIS 7202

E.O. 11652: N/A

TAGS: ABLD, EFIN, TS

SUBJ: USE OF US-OWNED SURPLUS DINARS TO PAY FOR
U.S. ORIGIN EQUIPMENT.

REF: STATE 249427 AND PREVIOUS

1. EMBOFFS CALLED ON DIRECTOR GENERAL BOUSBIA OF
CENTRAL BANK DECEMBER 28 IN ORDER SEEK GOT APPROVAL
OF SUBJECT PAYMENT. EMBOFFS MADE POINT THAT US SURPLUS
DINARS HAVE REGULARLY BEEN PAID IN PAST TO LOCAL CONTRACTORS
WHO HAVE IN TURN PURCHASED SUPPLIES AND EQUIPMENT ABROAD
FOR EMBASSY TUNIS USE. AS A RESULT OF INCREASED TERRORIST
ACTIVITY IN 1973, FBO HAD TO PURCHASE ON URGENT BASIS
CERTAIN EQUIPMENT FOR WHICH DOLLAR BUDGETARY PROVISIONS
HAD NOT BEEN MADE INCLUDING GENERATORS AND COMMUNICATIONS
EQUIPMENT FOR U.S. EMBASSY IN TUNIS AND OTHER POSTS. U.S.
SUPPLIER, CAPCO, HAD AGREED TO ACCEPT PAYMENT IN DINARS
IN THE EXPECTATION THAT IT COULD INVEST THESE FUNDS IN
TUNISIA AND EVENTUALLY REPATRIATE ALL ITS FUNDS PLUS
ANY PROFITS FROM VENTURE.

2. BOUSBIA POINTED OUT THAT U.S. AGREEMENTS WITH TUNISIA
TOOK PRECEDENCE OVER TUNISIAN LAW AND OFTEN NECESSITATED
EXCEPTIONS TO TUNISIAN REGULATIONS AND PROCEDURES. GOT
DOES NOT GRANT FURTHER EXCEPTIONS TO ITS LAW WHEN SUCH
EXCEPTIONS ARE NOT SPECIFICALLY PROVIDED FOR IN OUR VARIOUS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TUNIS 07202 291228Z

BILATERAL AGREEMENTS. PRESENT CASE DOES NOT BENEFIT FROM

SPECIFICALLY STATED EXCEPTIONS. WHILE HE SAID HE WAS SYMPATHETIC WITH FBO'S DIFFICULTIES IN OBTAINING NECESSARY SECURITY EQUIPMENT FOR ITS EMBASSIES ABROAD, IT WOULD BE DIFFICULT TO AGREE TO PRESENT TRANSFER WITHOUT SETTING PRECEDENT FOR FUTURE.

3. BOUSBIA SUGGESTED THAT USG ASK GOT TO CONVERT PORTION OF US-OWNED SURPLUS DINARS INTO DOLLARS IN ORDER TO PAY CAPCO FOR CURRENT TRANSACTION. GOT COULD AGREE TO SUCH A REQUEST SINCE CONVERSION OF A CERTAIN PERCENTAGE OF DINAR FUND ACCRUING TO USG IS SPECIFICALLY PROVIDED FOR IN MOST PL 480 AGREEMENTS. IF THIS NOT FEASIBLE, HE SUGGESTED THAT EMBASSY WRITE CENTRAL BANK EXPLAINING CURRENT TRANSACTION, SETTING FORTH RELEVANT PROVISIONS IN BILATERAL AGREEMENTS, AND REQUESTING APPROVAL OF CAPCO TRANSACTION. BOUSBIA SAID THAT CENTRAL BANK LEGAL COUNSEL WOULD THEN TRY TO DETERMINE WHETHER GOT WOULD FIND SUFFICIENT LEEWAY IN INTERPRETATION TO PERMIT AN EXCEPTION WHILE AT SAME TIME AVOIDING CREATING A PRECEDENT FOR FUTURE. HE ALSO NOTED THAT CENTRAL BANK WOULD HAVE TO NOTIFY MINISTRY OF FOREIGN AFFAIRS AND OBTAIN ITS CONCURRENCE IF EXCEPTION IS TO BE GRANTED.

4. EMBOFFS ONCE AGAIN EMPHASIZED THAT PARTIAL DELIVERY OF EQUIPMENT AGAINST CAPCO PURCHASE HAS ALREADY BEEN MADE AND CAPCO IS ANXIOUS TO OBTAIN ASSURANCE OF PAYMENT. THEY ALSO ASSURED BOUSBIA THAT IF GOT APPROVES CURRENT TRANSACTION, NO FURTHER TRANSACTIONS WHICH COULD CAUSE US PROBLEMS WITH TUNISIAN FOREIGN EXCHANGE REGULATIONS WOULD BE UNDERTAKEN.

5. COMMENT: EMBASSY BELIEVES THAT BOUSBIA REACTION WAS ABOUT AS FAVORABLE AS COULD BE EXPECTED UNDER CIRCUMSTANCES. HE HAD INITIALLY SUGGESTED THAT EMBASSY MAKE APPROACH THROUGH MINISTRY FOREIGN AFFAIRS WHICH WE FEEL WOULD HAVE VIRTUALLY KILLED ANY CHANCES OF EVENTUAL APPROVAL. WE FEEL THAT HE IS GENERALLY FAVORABLY INCLINED TOWARD GIVING APPROVAL IF THIS CAN BE RATIONALIZED AND THAT THIS FAVORABLE ATTITUDE WAS STRENGTHENED WHEN EMBOFFS EMPHASIZED THAT THERE WOULD BE NO FURTHER TRANSACTIONS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TUNIS 07202 291228Z

IN FUTURE. PLACING ORDER THROUGH LOCAL REPRESENTATIVE WOULD NOT CHANGE ESSENTIAL CHARACTER OF THIS TRANSACTION AND THUS CANNOT BE CONSIDERED AS PLAUSIBLE ALTERNATIVE.

6. IN RESPONSE BOUSBIA REQUEST, WE PROPOSE DELIVER A LETTER TO CENTRAL BANK ASKING FOR APPROVAL TO PAY CAPCON IN TUNISIAN DINARS. EMBASSY WILL EMPHASIZE URGENT NEED FOR THIS EQUIPMENT FOR USG INSTALLATIONS AROUND THE WORLD.

ALSO, LETTER WILL MENTION THE ADVANTAGES TO TUNISIA OF THE PROPOSED CAPCO INVESTMENT OF THESE FUNDS IN AN ASSEMBLY INSTALLATION HERE. EMBASSY WILL QUOTE WHAT WE CONSIDER TO BE RELEVANT SECTIONS OF BILATERAL AGREEMENTS, E.G. ARTICLE II-A OF PL 480 AGREEMENT JULY 1966 AND SECTION 104 (A) AND (B)-4 OF PL 480 ACT. FINALLY, WE WILL ASSURE GOT THAT THIS TRANSACTION IS NOT PRECEDENT-SETTING AND THAT WE INTEND NO OTHER TRANSACTIONS OF THIS KIND. EMBASSY NOT OPTIMISTIC REGARDING THE OUTCOME OF THIS REQUEST. NONETHELESS, WE BELIEVE IT IS THE ONLY APPROACH HAVING A POSSIBILITY FOR SUCCESS.

7. ACTION REQUESTED: CONVERSATION WITH BOUSBIA CONFIRM OUR STRONG RECOMMENDATION, CONVEYED TUNIS 6695, THAT NO FURTHER DIRECT PURCHASES OF EQUIPMENT BY FBO FOR USE OUTSIDE OF TUNISIA WITH PAYMENT IN TUNISIAN DINARS BE CONTEMPLATED. WE REGRET THIS IS SO, BUT DO NOT BELIEVE THERE ANY CHANCE WHATSOEVER OF GOT AGREEING. IN RESPONSE TO BOUSBIA SUGGESTION PARA 3 ABOVE, EMBASSY REQUESTS WASHINGTON CONSIDERATION USE OF CONVERTIBLE DINARS HELD BY THE U.S. TREASURY. THESE DINARS APPARENTLY ARE HELD FOR SPECIFIC PURPOSES IN KEEPING WITH PROVISIONS OF THE PL 480 ACT. HOWEVER, SOME LEEWAY IN INTERPRETATION OR SPECIAL PERMISSION MAY ALLOW THESE FUNDS TO BE USED TO PAY CAPCO.

SEELYE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT PROCUREMENT, EXCESS FOREIGN EXCHANGE, FOREIGN EXCHANGE CONTROLS, DINAR, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TUNIS07202
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: TUNIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973121/aaaaaajf.tel
Line Count: 141
Locator: TEXT ON-LINE
Office: ACTION FBO
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 249427 AND PREVIOUS
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 24 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Oct-2001 by shawdg>; APPROVED <14 FEB 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: USE OF US-OWNED SURPLUS DINARS TO PAY FOR U.S. ORIGIN EQUIPMENT.
TAGS: ABLD, EFIN, TS, US, CAPCO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005